



STATE OF MICHIGAN
OFFICE OF THE AUDITOR GENERAL
201 N. WASHINGTON SQUARE
LANSING, MICHIGAN 48913
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THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

November 1, 1999

The Honorable John M. Engler, Governor of Michigan
The Honorable Dan L. DeGrow, Senate Majority Leader
The Honorable Charles R. Perricone, Speaker of the House
The Honorable John D. Cherry, Jr., Senate Minority Leader
The Honorable Michael J. Hanley, House Minority Leader
and
Members of the 90th Legislature

Ladies and Gentlemen:

This annual report on the operations of the Michigan Office of the Auditor General covers the fiscal year ended September 30, 1999 and is submitted in accordance with Article 4, Section 53 of the State Constitution.

Beginning with this annual report, our annual reports for fiscal years ending with odd numbers will be submitted in an abbreviated format as letter reports. Annual reports for fiscal years ending with even numbers will be submitted in the traditional format and will contain information about our office and the audit reports completed during the fiscal year. Copies of this letter report and of our annual report for the fiscal year ended September 30, 1998 can be found on our Internet web site.

The Office of the Auditor General has the responsibility, as stated in Article 4, Section 53 of the State Constitution, to conduct post financial and performance audits of State government operations. In addition, certain sections of the *Michigan Compiled Laws* contain specific audit requirements in conformance with the constitutional mandate. To fulfill our requirements and to continually meet our customer needs, we are committed to improving the quality of our audit services and reports.

Our web site includes our audit reports. To date, over 7,800 copies of audit reports have been accessed or downloaded by Internet users.

The core strength of our office continues to be the quality of our staff. Despite strong competition from the private sector, retirements, and increased demand for trained professionals throughout State government, we have been successful in employing and retaining highly motivated, skilled, and dedicated staff. The Office of the Auditor General is committed to providing the Legislature and other interested parties with accurate and reliable information, and the key factors in our ability to achieve this commitment are the competency and professionalism of our staff.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

Office of the Auditor General Reports and Other Information

An audit report and its supporting evidence is considered confidential until its official release to the Legislature, the general public, and the press. Once a report has been released, it is public information and, as such, is available upon request.

Reports or information about our office can be obtained as follows:

- **By written request** directed to:

Office of the Auditor General
Victor Center, Sixth Floor
201 N. Washington Square
Lansing, Michigan 48913

- **By telephone** at (517) 334-8050
- **By FAX** at (517) 334-8079 (please include your name, address, and the specific reports or other desired information in your request)
- **On the Internet** at *<http://www.state.mi.us/audgen>*

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED DURING FISCAL YEAR 1998-99

- * Special report.
- ** Letter report issued to the Department's director or the Authority's chairperson.
- R Audit required by law.
- N/A Not applicable.

Project Number	Report Title	Audit Type	Recommendations	
			New	Repeated
AGRICULTURE, DEPARTMENT OF				
79-180-99	*Michigan Red Tart Cherry Information and Development Program <i>The Program creates greater marketing opportunities and provides information to growers and others in the industry.</i>	Financial	0	0
79-310-98	Office of Racing Commissioner <i>The Office has responsibilities for licensing, enforcement, and regulation of horse race meetings in the State and of the persons involved in those race meetings.</i>	Performance	0	0
CIVIL RIGHTS, DEPARTMENT OF				
15-111-98	Michigan Commission on Indian Affairs <i>The Commission investigates and assists tribal governments, Indian organizations, and individuals with problems common to Indian residents of Michigan.</i>	Performance	1	0
15-112-98	Michigan Women's Commission <i>The Commission recommends methods of overcoming critical problems confronting women and of recognizing women's accomplishments and contributions in the State.</i>	Performance	1	0
15-113-98	Commission on Spanish-Speaking Affairs <i>The Commission's purpose is to develop a unified policy and plan of action to serve the needs of Michigan's Spanish-speaking people.</i>	Performance	1	0
COMMUNITY COLLEGES				
32-260-99	Mid Michigan Community College - R <i>The College is a public two-year institution of higher education offering academic, vocational-technical, and community education programs.</i>	Performance	5	0

AUDIT, SPECIAL, AND LETTER REPORTS COMPLETED
DURING FISCAL YEAR 1998-99

<u>Project Number</u>	<u>Report Title</u>	<u>Audit Type</u>	<u>Recommendations</u>	
			New	Repeated
32-350-98	Southwestern Michigan College - R <i>The College is a public two-year institution of higher education offering academic, vocational-technical, and continuing education programs.</i>	Performance	3	0
32-500-99	Selected Community Colleges' Reporting of Activities Classification Structure Data - R <i>Community colleges annually report certain information to the Department of Education. This information is used to determine State aid for each community college.</i>	Performance	6	0
32-615-98	Capital Outlay Project for the Learning Resource Center and the Health Careers Education Center, Henry Ford Community College <i>The College is a public two-year institution of higher education offering occupational/career programs and traditional college and university transfer programs.</i>	Performance and Financial	5	0
COMMUNITY HEALTH, DEPARTMENT OF				
39-100-98	Department of Community Health - R	Single	5	3
39-131-98	Bureau of Epidemiology <i>The mission of the Bureau is to provide information necessary for developing interventions, including policies and practices, that will improve the public's health through surveillance and analytic services.</i>	Performance	3	0
39-150-97	Residential Services Program of Wayne Community Living Services, Inc. <i>This nonprofit mental health agency is under contract with the Detroit-Wayne County Community Mental Health Agency to provide services to people with developmental disabilities.</i>	Performance	8	0
39-153-97	Specialized Residential Services Program of Residential Care Alternatives, Inc. <i>This nonprofit mental health agency is under contract with the Detroit-Wayne County Community Mental Health Agency to provide services to adults with mental illnesses and developmental disabilities.</i>	Performance	6	0
39-195-98	Hospital Patients' Trust Fund <i>The State established the Trust Fund to account for the funds of patients receiving services in State hospitals.</i>	Performance and Financial	6	2

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DURING FISCAL YEAR 1998-99

<u>Project Number</u>	<u>Report Title</u>	<u>Audit Type</u>	<u>Recommendations</u>	
			New	Repeated
39-305-98	Mt. Pleasant Center <i>The Center serves developmentally disabled persons from 79 of the 83 counties of Michigan.</i>	Performance	10	0
39-330-98	Closure of Joseph M. Snyder Macomb-Oakland Regional Center <i>The Center ceased existence as a State agency on September 27, 1996.</i>	Performance	7	1
39-335-98	Southgate Center <i>The Center provides a comprehensive range of services to people with developmental disabilities.</i>	Performance	8	0
39-508-98	Washtenaw County Community Mental Health Board <i>The Board administers and/or contracts for services for the mentally ill and developmentally disabled.</i>	Performance	11	0
39-636-98	Request for Proposal (RFP) for the Outstate Michigan Comprehensive Health Care Plan, Department of Community Health and Department of Management and Budget <i>The RFP solicited proposals to contract for delivery of health care services to Medicaid recipients in outstate Michigan.</i>	Performance	2	0
CONSUMER AND INDUSTRY SERVICES, DEPARTMENT OF				
63-100-98	Department of Consumer and Industry Services - R	Single	4	0
63-140-98	Financial Institutions Bureau <i>The Bureau is responsible for the regulation, supervision, and examination of State-chartered banks, savings banks, and credit unions.</i>	Performance	4	0
63-161-98	Michigan Liquor Control Commission <i>The Commission is responsible for the Liquor Purchase Revolving Fund, which accounts for the purchase, distribution, and sale of liquor.</i>	Financial	11	0
63-420-98	Homeowner Construction Lien Recovery Fund <i>The Fund was established to protect homeowners from lien claims for residential construction and remodeling and to protect persons providing real property improvements.</i>	Performance and Financial	5	0

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			New	Repeated
CORRECTIONS, DEPARTMENT OF				
47-206-98	Alger Maximum Correctional Facility and Camp Cusino <i>The Facility and the Camp share one warden and other administrative service staff. The Facility houses maximum security male prisoners, and the Camp houses minimum security male prisoners.</i>	Performance	9	0
47-220-98	Muskegon Correctional Facility <i>The Facility is a medium security correctional facility for male prisoners.</i>	Performance	4	0
47-223-98	Brooks Correctional Facility and Muskegon Temporary Facility <i>Both Facilities share one warden and other administrative service staff. The Facilities house minimum, medium, and close security male prisoners.</i>	Performance	9	0
47-230-98	Riverside Correctional Institutions: Riverside Correctional Facility and Ionia Temporary Facility <i>These Facilities, which are adjacent, house close custody, medium security, and minimum security male prisoners.</i>	Performance	9	0
47-233-98	Ionia Correctional Facilities: Richard A. Handlon Michigan Training Unit and Ionia Maximum Correctional Facility <i>These two physically separate facilities share services in the areas of personnel and the business office. The Training Unit houses medium security younger male prisoners, and the Facility houses medium and maximum security male prisoners.</i>	Performance	8	0
47-276-98	Mid-Michigan Correctional Facility <i>The Facility is a minimum security male prison.</i>	Performance	14	0
47-700-97	State Facilities' Food Service, Clothing, and Time Reporting Practices <i>The State maintains ninety-five 24-hour facilities in the Departments of Corrections, Community Health, and Military and Veterans Affairs and the Family Independence Agency.</i>	Performance	6	0

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Project Number	Report Title	Audit Type	Recommendations NewRepeated	
EDUCATION, DEPARTMENT OF				
31-400-94F	*Follow-Up Review of the Membership Reporting and Auditing Process <i>The Department distributes State school aid to school districts based on membership counts reported by the districts and audited by the intermediate school districts.</i>	Performance	N/A	N/A
ENVIRONMENTAL QUALITY, DEPARTMENT OF				
76-154-98	Geological Survey Division <i>The Division regulates the extraction of oil, gas, and minerals.</i>	Performance	5	0
FAMILY INDEPENDENCE AGENCY				
43-100-97	Family Independence Agency - R	Single	14	5
43-271-97	Juvenile Justice Services <i>The Office of Juvenile Justice and the Purchased Care Division are within the Agency's Child and Family Services Administration. Delinquency field staff are located within the Field Operations Administration.</i>	Performance	24	0
43-591-98	Information Technology Management Services <i>The mission of Information Technology Management Services is to provide reliable, efficient, timely, and cost-effective services to support the Agency's mission.</i>	Performance and Financial	15	1
MANAGEMENT AND BUDGET, DEPARTMENT OF				
07-011-99	**State of Michigan Comprehensive Annual Financial Report (SOMCAFR) - Central Staff (FY 1997-1998)	Financial	N/A	N/A
07-012-99	**SOMCAFR - Field Staff (FY 1997-1998)	Financial	N/A	N/A

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			New	Repeated
07-030-99	**Review of Constitutional Revenue Cap (Fiscal Year 1997-98)-R	Financial	N/A	N/A
07-031-99	**Review of Section 30 Expenditure Limitation Report (Fiscal Year 1997-98) - R	Financial	N/A	N/A
07-131-98	Statewide Cost Allocation Plan <i>The Plan is prepared annually to enable the State's departments to obtain reimbursement of indirect costs from the federal government.</i>	Financial	2	0
07-595-97	Michigan Information Processing Center <i>The Center provides mainframe computer processing equipment, software, and services for all State agencies.</i>	Performance and Financial	9	0
07-597-98	Year 2000 Issues for Information Systems, Year 2000 Project Office <i>The Office's mission is to oversee and facilitate executive branch agencies in achieving year 2000 operability.</i>	Performance	1	0
07-629-99	*Use of Transportation-Related Funding - R <i>Funding was provided to the Departments of State, State Police, Treasury, Management and Budget, Civil Service, Attorney General, Environmental Quality, Natural Resources, and Transportation and the Office of the Auditor General.</i>	Financial	1	3

MICHIGAN JOBS COMMISSION

45-601-98	*Allowability and Proper Classification of Expenditures of the K.I. Sawyer Base Conversion Authority Caretaker Cooperative Agreement <i>The Authority had a Caretaker Cooperative Agreement with the United States Air Force Base Conversion Agency for the operation, maintenance, and protection of the K.I. Sawyer Air Force Base pending its final disposition.</i>	Financial	0	0
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MILITARY AND VETERANS AFFAIRS, DEPARTMENT OF				
51-105-98	Veterans Affairs Directorate <i>Among other duties, the Directorate manages the administrative functions of the Michigan Veterans' Trust Fund, the Vietnam Veterans' Memorial Fund, and the two State veterans' homes located in Grand Rapids and Marquette.</i>	Performance and Financial	4	0
NATURAL RESOURCES, DEPARTMENT OF				
75-100-98	Department of Natural Resources - R	Single	7	1
75-103-97	Cash Functions <i>During fiscal year 1996-97, the Department collected about \$53 million centrally in Lansing and an additional \$43 million at over 400 different field sites. As of September 30, 1997, funds totaling about \$263 million were held for permanent investment.</i>	Performance	9	0
75-148-98	Cadillac Local Development Finance Authority <i>The Authority was created to reduce, eliminate, or prevent the spread of identified soil and groundwater contamination.</i>	Performance	0	0
STATE, DEPARTMENT OF				
23-200-98	Cash Receipts Operations <i>The Department collected about \$1.9 billion of revenue in fiscal year 1997-98 at the central office and at 178 branch offices.</i>	Performance	2	1
23-251-98	International Registration Plan <i>The Plan is an agreement with the 48 contiguous states and 3 Canadian provinces authorizing proportional registration of trucks and trailers used for interstate commerce.</i>	Performance	6	0
23-700-97	Driver Safety Programs, Department of Education and Department of State <i>The State's driver safety programs include its Driver Education Program in the Department of Education and its driver improvement actions in the Department of State.</i>	Performance	4	0

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STATE POLICE, MICHIGAN DEPARTMENT OF				
55-121-98	Michigan Commission on Law Enforcement Standards Division and the Training Division, Office of Organizational Development <i>The Office maintains the two Divisions at the State Police Training Academy in Lansing.</i>	Performance	7	0
55-125-99	Emergency Management Division <i>The Division is authorized to coordinate within the State the emergency management activities of county, municipal, State, and federal governments.</i>	Performance	0	0
55-142-98	Criminal Investigation Program <i>Program activities are within the Investigative Services Bureau. Our audit focused on three divisions of the Bureau: the Field Detective, East Lansing Criminal Investigation, and Southeastern Criminal Investigation Divisions.</i>	Performance	5	0
TRANSPORTATION, MICHIGAN DEPARTMENT OF				
59-162-98	Traffic and Safety Division, Bureau of Highway Technical Services <i>The Division is organized into three sections: the Safety Programs and Technical Services, Traffic Operations, and Transportation Systems Sections.</i>	Performance	7	0
59-180-97	Bureau of Urban and Public Transportation <i>The Bureau provides financial operating assistance and capital financing for various public transportation programs.</i>	Performance	7	1
59-190-98	Bureau of Aeronautics <i>The Bureau administers aviation programs, assists community aviation, provides air transportation to State personnel, and coordinates accounting functions with the Department.</i>	Performance	12	1

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TREASURY, DEPARTMENT OF				
27-100-98	Department of Treasury - R	Single	2	0
27-115-99	Private Colleges' and Universities' Enrollments - R <i>The Michigan Higher Education Assistance Authority, through the Department of Treasury, administers four programs for private college and university students.</i>	Performance	1	0
27-124-980	State Employees' Deferred Compensation Fund I and Fund II <i>The Funds' plans allow employees to set aside a portion of their earnings and defer the payment of taxes.</i>	Financial	0	0
27-252-99M	*State Treasurer's Annual Report - R <i>The State Treasurer is responsible for investing, managing, and safekeeping assets of several retirement systems, various trust funds, and the State's Common Cash pool.</i>	Financial	0	0
27-252-990	**State Treasurer's Annual Report - R	Financial	N/A	N/A
27-256-99	Transition in the Office of State Treasurer (As of November 20, 1998) <i>The State Treasurer resigned from office effective November 20, 1998. The chief deputy treasurer was appointed acting State Treasurer.</i>	Financial	0	0
27-257-99	Transition in the Office of State Treasurer (As of January 9, 1999) <i>A new State Treasurer was appointed effective January 10, 1999.</i>	Financial	0	0
27-410-97	Bureau of State Lottery <i>The Bureau's mission is to generate revenue for the State consistent with the public good, provide quality public entertainment, and maintain the integrity of its games.</i>	Performance	15	0
27-605-99	Federal Cash Management Improvement Act Program <i>The Act provides for agreements that describe the methods to request federal funds and require the payment of interest by either the U.S. Department of Treasury or a state if funds are not received on a timely basis.</i>	Performance	0	0

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UNIVERSITIES				
33-190-97F	*Follow-Up Review of Saginaw Valley State University <i>The University requires each student to satisfy college-level basic skills in reading, writing, and mathematics to receive a baccalaureate degree.</i>	Performance	N/A	N/A
33-300-99	Selected State Universities' Reporting of Enrollment and Other Higher Education Institutional Data Inventory (HEIDI) Data - R <i>The Legislature established HEIDI to capture enrollment and other data regarding State universities</i>	Performance	5	1
			<u>335</u>	<u>20</u>